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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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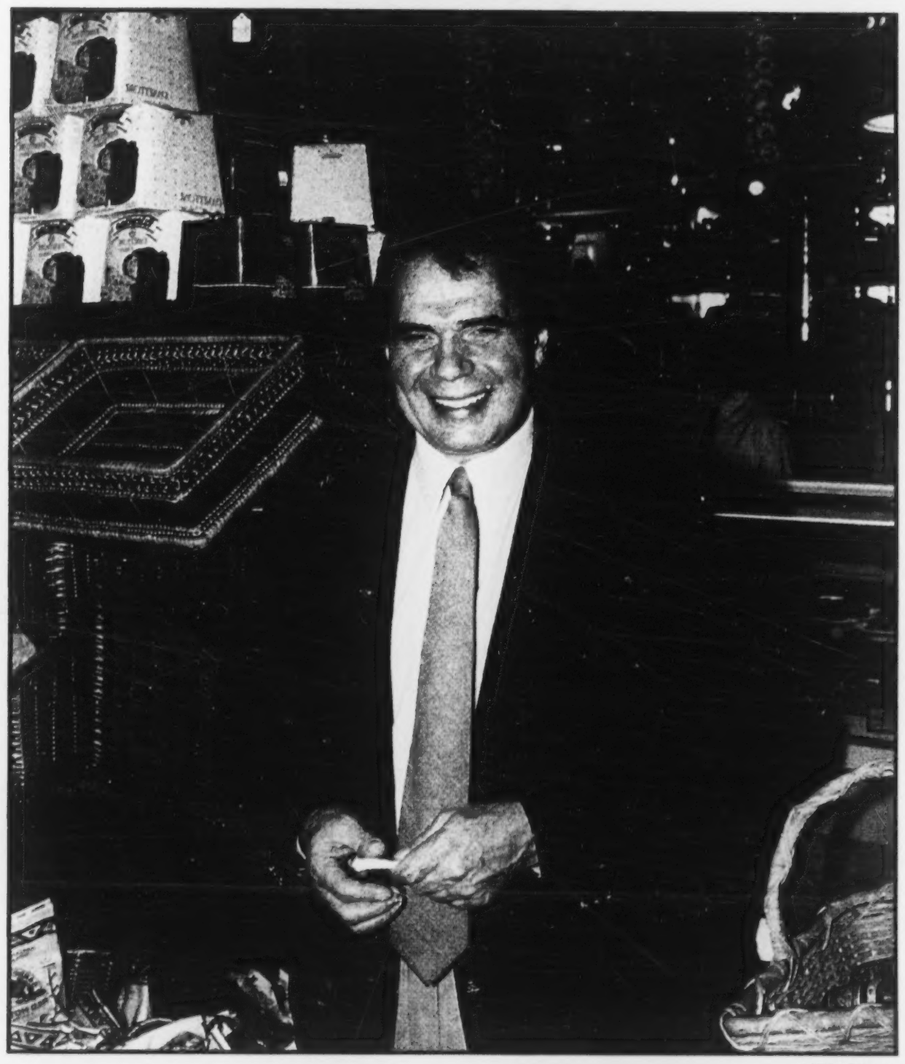


NRN Photo

Carl Quagliata shows off Piccolo Mondo's retail market section.

Casual Clevelanders tune in to Piccolo

by Carolyn Walkup

CLEVELAND — Veteran restaurateur Carl Quagliata is looking for new worlds to conquer with his latest venture, Piccolo Mondo Restaurant & Market.

Best-known for his 17-year-old Ristorante Giovanni's in suburban Beachwood — a formal, high-end Italian restaurant — Quagliata recently opened the more casual Piccolo Mondo (Italian for small world) in an effort to attract a broader clientele.

Sales had dropped 15 percent the past year at Giovanni's — a fact that Quagliata blames on both the recession and the changing tastes of younger diners. "Young people just are not into that type of restaurant anymore," he said. "And to survive, you have to attract a younger clientele."

(See PICCOLO, page 41)

Magruder, Richards top Monday lineup at MUFSO

DALLAS — The Olive Garden president Ron Magruder and top advertising executive Stan Richards will headline the general session on Sept. 21 at Nation's Restaurant News' Multi-Unit Food Service Operators (MUFSO) conference here.

Magruder

Richards

Over the past six years, Magruder has guided The Olive Garden's rapid growth into the largest Italian dinner-house chain in the nation. Emphasizing friendly service — through a culture defined as "Hospitaliano" — Magruder has positioned The Olive Garden as one of the most successful casual-theme restaurant chains anywhere.

Richards, founder and principal of the full-service advertising agency The Richards Group, has been honored all

(See MUFSO, page 39)

Dems eat, drink, make NYC operators merry

Visiting conventioneers cast positive votes for Manhattan restaurants, $19.92 specials

by Robin Lee Allen

NEW YORK — The Democrats may have moved toward political moderation, but, to the delight of this city's restaurateurs, their presence here in mid-July for the Democratic National Convention inspired liberal amounts of eating and drinking.

Although the nearly 40,000 delegates, journalists and other attendees were busy with party politics during prime dinner hours, many found time during lunch and late at night to take advantage of the hospitality offered by local operators.

"It's like Christmas in July," said Andrew Freeman, director of marketing for the Russian Tea Room. "We've been sold out all week long."

Spending during the convention is expected to pump over $111 million into the city's economy.

Contributing to the boom was a $19.92 fixed-price lunch special designed to entice both visitors and New Yorkers to some of the city's more expensive operations.

The special — part of the convention's official NY '92 host activities — was offered by more than 100 restaurants, several of which joined the program once it was in progress. During the week, several other operators announced that they would be extending the special past the convention.

"The $19.92 special turned out to be a phenomenal success," said Tim Zagat, co-chairman of food, restaurants and

(See DEMOCRATS, page 4)

Dining Out with the Democrats

See Northeast Report/Page 18

Photo courtesy of AP/Wide World Photos

Democratic presidential nominee Bill Clinton and wife Hillary are congratulated by the Arkansas delegation at the convention.

Arkansas restaurateurs cheer Clinton on

by Jack Hayes

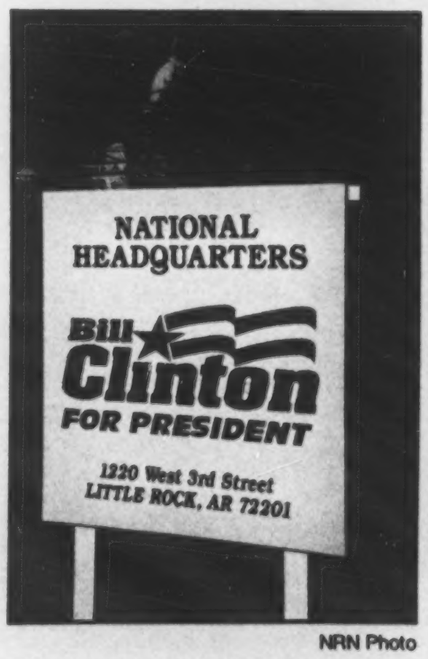
LITTLE ROCK, Ark. — Will Gov. Bill Clinton, a vegetable-loving Democrat who has dined in practically every restaurant in Arkansas during his six terms in office, strike down the Bush-imposed broccoli ban if he wins in November?

That's what a lot of restaurateurs here are predicting.

"I've been asked if he likes broccoli," said Barry Smith, who operates the 4-year-old St. Moritz Cafe, a 90-seat tablecloth concept in downtown Little Rock. "My answer is: He loves it!"

Andre Simon, the operator of 17-year-old Andre's, concurs.

"He ordered vegetable fettuccine the last time he was here," joked Simon, a Swiss-born operator and now an American citizen who said he'll vote for Clinton.



NRN Photo

Clinton-mania has already set in around Little Rock.

But Clinton is also a big supporter of chicken and rice — the two leading farm products of Arkansas. And he also backs tourism, operators said, because it is one of the state's top sources of income — generating $2.5 billion in 1991, according to Department of Parks and Tourism figures.

In fact, since the day Clinton threw his name into the race for president, Arkansas' foodservice and hospitality operators have watched their sales figures surge noticeably.

"This campaign is bringing a constant flow, from media to secret service, and they

(See ARKANSAS, page 40)

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NEWS BRIEFS

Restaurant sales rise 2.3% in June; menu prices increase 2%

WASHINGTON — Sales at the nation's eating and drinking places increased in June while menu price inflation continued to slow.

Restaurant sales rose 2.3 percent in June on an annual, unadjusted basis, an increase over the 1.5-percent uptick in May, according to the U.S. Census Bureau's monthly retail sales report.

Meanwhile, menu price inflation slowed for June, according to the U.S. Labor Department's Consumer Price Index. Menu prices — the food-away-from-home category of the CPI — rose just 2 percent on a 12-month, unadjusted basis after rising 2.1 percent in May and 2.3 percent in April.

When June's 2.3-percent gain in restaurant sales is discounted against the month's 2-percent hike in menu prices, the figures suggest that customer traffic rose by 0.3 percent.

House Ways and Means kills new meal tax proposal

WASHINGTON — The House Ways and Means committee has struck down a proposal to reduce the deduction for business meals from 80 percent to 75 percent.

The deduction, which was strenuously opposed by the National Restaurant Association, was part of a bill proposed by Rep. Nancy Johnson, R-Conn. intended to finance a one-year, $2,500 tax credit on new and used homes for first-time homebuyers.

While the NRA hailed the tax credit as a laudable idea, members lobbied that the restaurant industry — like the construction and real-estate industries — also had been hurt by the recession and would be further damaged by such a measure.

"The defeat of this bill represents the first time since 1986 that members of Congress have gone on record on the business meals deduction, and they clearly have indicated that it should not be tampered with," said NRA president Richard E. Marriott.

NYC's Mondrian closes after four-year run

NEW YORK — Mondrian, a critically acclaimed fine-dining restaurant located here in midtown, has closed.

"It's basically a sign of the times," said Mondrian's chef Tom Colicchio. "There weren't enough people coming through the door. Mondrian had a very corporate feel that excluded many people from feeling comfortable."

While the 4-year-old restaurant is owned by six silent partners, Colicchio and general manager Steve Lavin were responsible for daily operations.

Colicchio, who was at the restaurant for three years, said, "I'd like to do the same type of food in an atmosphere that is more accessible to a broader scope of people."

Slater, 3 execs out at S&A; Metromedia moves to fill gaps

DALLAS — Metromedia Co. has seized tighter control of S & A Restaurant Corp., operator of Bennigan's and Steak & Ale restaurants, after four top S & A executives resigned.

Donald J. Slater, who served as president of S & A since 1987 when Metromedia first acquired a stake in the company, left as a result of what Metromedia called "strategic differences."

Other members of the S & A management team who resigned were chief financial officer Robert S. Svehlak; Jack Camp Fitch Sr., vice president and general manager for Steak & Ale; and Andrew J. Revella, vice president of research and development.

Metromedia named Arnold L. Wadler, a senior Metromedia vice president and company strategist, acting president of S & A and said he would put together a new management team.

Stuart Subotnick, executive vice president of Metromedia, said the company is becoming more actively involved in the day-to-day management of its restaurant chains.

"Restaurants are the largest segment of Metromedia's business, and, therefore, it makes sense that we become more closely involved," Subotnick said. "Our goal is to perfect the concept positioning of each chain by addressing the needs and desires of customers."

"It was a decision by Metromedia that the strategic outlook of that management team was inconsistent with where Metromedia wants this business to go," Metromedia spokeswoman Jennefer Hirshberg told the Dallas Morning News.

Slater is part of a management group that owns a 10- percent share in S & A, which in 1991 generated $675 million in sales from its 380 restaurants.

Metromedia is a private partnership based in East Rutherford, N.J., and controlled by billionaire John Kluge. About 60 percent of Metromedia's investments are in restaurants, including the Ponderosa and Bonanza family steak houses. Metromedia also has holdings in telecommunications, automotive components, computer software, medical technology and a majority interest in Orion Pictures Corp.

Papa Gino's signs deal with General Cinemas

DEDHAM, Mass. — Papa Gino's, the 230-unit pizza chain based here, has inked a deal with General Cinemas to offer Papa Gino's pizza in 20 movie theaters in the Northeast.

The deal could potentially be expanded into as many as 100 theaters, said chief operating officer James Grimm.

Papa Gino's products are served from the general concession areas and prepared and delivered from nearby Papa Gino's outlets.

Papa Gino's has also developed a separate foodservice division to help spur additional growth in other non-traditional areas — including school lunch programs.

Tolbert appointed Sky Chefs CFO

ARLINGTON, Texas — Patrick Tolbert has been named chief financial officer and executive vice president of Sky Chefs Inc., the airline caterer based here.

He replaces Carol Cooke, who was named senior vice president of finance.

Tolbert, 46, was most recently senior vice president and chief financial officer of Sunbelt Beverage Corp., a $535 million beverage distributor based in Baltimore, Md.

Logan's Roadhouse founder resigns

LEXINGTON, Ky. — One month after forming a partnership with the Nashville, Tenn.-based O'Charley's Inc. to expand his new casual-steakhouse concept, Logan's Roadhouse founder David Toole has resigned.

"We had differences in corporate culture," said Logan's chief executive officer Ted Moats — who owns 80 percent of the fledgling Logan's group with O'Charley's principals David Wachtel and Charles McWhorter.

Toole, meanwhile, said he has signed a deal with a new backer and plans to launch a new roadhouse concept.

Smith in talks to open Outback franchises

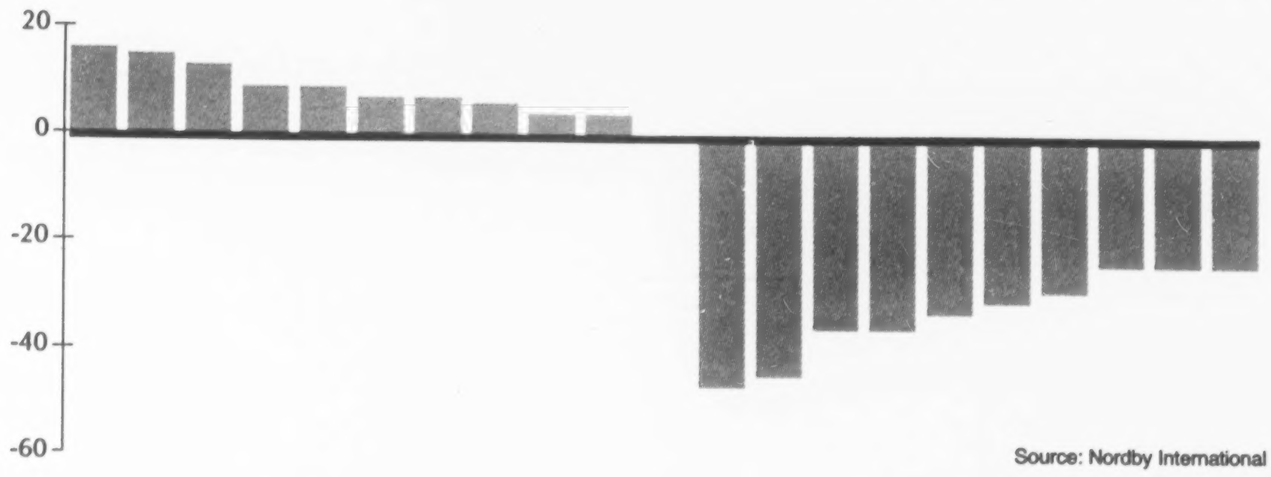
TAMPA, Fla. — Hal Smith, the former president of Chi-Chi's Inc., is negotiating with Outback Steakhouse Inc. to become a franchisee for the state of Oklahoma.

Smith left his Chi-Chi's post in May after a six-year stint as president and chief executive. Before that he served as president of Chili's and was a 13-year veteran of S & A Restaurant Corp., operator of Steak & Ale and Bennigan's. The casual-steak-house chain currently operates 66 units.

FINANCIAL NEWS

NRN Stock Index: Top 10 gainers and losers of 2nd quarter 1992

(stocks ranked by percentage change since March 31. Stocks that started the quarter under $2 are excluded.)



Source: Nordby International

Restaurant stocks take modest dip in 2nd qtr.

by Milford Prewitt

NEW YORK — The steam seeped out of restaurant stock values in the second quarter as a large cross-section of industry issues plummeted in per-share price.

The allure of restaurant securities as one of the hottest investment areas over the past 18 months — a period that saw some 20 companies tap the equity markets with first-time stock offerings — fizzled at the mid-year mark as the bears returned to Wall Street.

Nearly 70 percent of the 82 restaurant stocks tracked by the Nation's Restaurant News Stock Index had lost value when the first half ended June 30, with losers outnumbering gainers by nearly 3-to-1. Fifty-six of the stocks declined, 20 advanced and three were unchanged. (Three new issues from initial public offerings had no comparative histories.)

Only seven restaurant stocks had recorded double-digit percentage gains in value at the half-year mark. Among those were McDonald's, which, for the first time in years, ranked among the NRN index's top 10 gainers, rising 15 percent to $46 a share.

The biggest loser of the period was the beleaguered Sbarro, whose per-share price lost nearly half of its value since the end of the first quarter, falling 47 percent to $23.75.

But even consistently profitable companies like Cracker Barrel and Wendy's saw their share prices collapse. Cracker Barrel's issues fell 9 percent to close the quarter at $31 a share.

Overall, the NRN Stock Index — a market-weighted value measurement of restaurant stock performance and the industry's broadest foodservice stock index — declined 3 percent in the second quarter to close at 308.20.

Michael Mueller, a stock analyst with Montgomery Securities in San Francisco, said foodservice issues were victims of a what-goes-up-must-come-down law. With much of the segment already overpriced and basking in high multiples and share prices, the unbridled ascent of foodservice issues would have been difficult to sustain, he asserted.

But Mueller stressed that the second-quarter weakness is not a sign that investors are abandoning the segment or that companies are performing poorly. Rather, he argued, the underlying operating fundamentals of many restaurant chains — including Wendy's, Cracker Barrel, Rally's and others whose stock prices fell — remain strong and vibrant.

He suggested that many share prices were squeezed by the segment's overall decline —
*(See **RESTAURANT**, page 39)*

FOOD PRICE OUTLOOK

Pork belly prices drop, supplies up

by Patt Patterson

There's a cynical saying among consumer advocates that a 1-cent increase in raw materials is so critical that it immediately causes a jump in food prices, but a 10-cent decrease is so insignificant that it doesn't affect prices at all. Right now, the foodservice industry is seeing evidence of that in bacon prices.

Pork belly prices have dropped to a 15-year low, but bacon prices haven't followed suit. Hog production has been very strong this year, and pork is being promoted as "the other white meat," and sales are climbing. But bacon sales are off, and pork bellies, the raw material from which bacon is made, are overflowing warehouses.

The war in Yugoslavia is cutting supplies of **canned hams** from that country. Although Danish hams are in good supply, overall stocks of imported product are down, and prices are expected to rise.

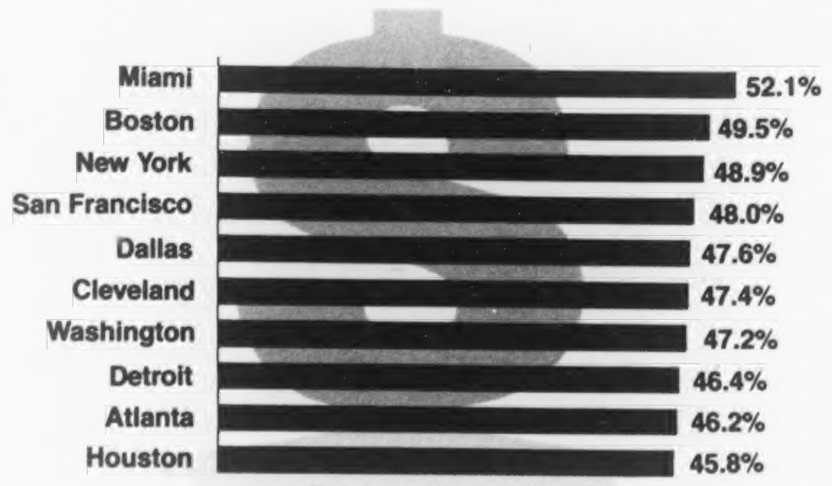
Although shippers f.o.b. prices for California **lettuce** and **melon** prices are low, truck transportation is so tight that truckers are demanding — and getting — rates to the East Coast that, in some cases, amount to nearly double the cost of the produce itself. Rates to the Midwest are lower, but still far above normal seasonal highs. As a result, operators are paying higher prices for many West Coast fruits and vegetables than they would expect to at this time of the year.

Midwest **vegetable** producers have been profiting from the rains that have hit the region. Although the effects of an extended dry period was lessened by cool weather that reduced stress on crops, the mid-July rains coming in conjunction with hot weather has been welcomed by growers. Expect prices to drop on most Midwest vegetables as the harvest season progresses.

Canning tomato acreage in California, in the Midwest and in the Middle Atlantic states is down, but the crop looks good, and strong carryover stocks should keep canned tomato and tomato product prices close to last year's levels.

FACT FILE

% Of Food Dollars Spent Out Of Home



FINANCIAL DIGEST

Checkers' 2nd-Q net quadruples

CLEARWATER, Fla. — Crediting gains by franchisees, Checkers Drive-In said the company's second-quarter net income increased nearly fourfold over the year-ago period, to $2.6 million, on revenues of $20.1 million.

In the year-ago period the company posted $655,000 in profits on revenues of $9 million.

Checkers said franchisee growth was the key reason behind the strong performance for the quarter ended June 30.

The company said first-half net income soared to $4.6 million, versus $1.1 million a year ago, on a 121-percent increase in revenues, to $36.6 million. Systemwide sales for the first six months rose 143 percent from year to year, to $39.1 million, the company said.

The chain ended the quarter with 158 restaurants, including 62 company-owned branches.

Sales gains lift ShowBiz's 2nd-Q net

IRVING, Texas — Citing improvement in comparable store sales and operating margins, ShowBiz Pizza Time reported a 28-percent year-to-year increase in net income, to $3.2 million, on a 16-percent gain in revenues, to $58.8 million, for the second quarter ended June 26.

ShowBiz said same-store sales of its Chuck E. Cheese's and ShowBiz restaurants increased 1.5 percent over those in the year-ago quarter despite the negative impact of the Easter weekend and disruptions in the company's Los Angeles market branches. Comparable store sales through the first half increased 4.2 percent over last year's midyear mark, ShowBiz said.

The company's Monterey Tex-Mex Cafes chain posted a 9.6-percent increase in same-store sales during the second quarter.

Showbiz said net income at the half-year mark was up 34 percent over last year's first-half net, to $8.7 million, on a 19-percent gain in revenues, to $123.7 million.

Sonic's sales improve 3rd-Q results

OKLAHOMA CITY — Sonic Corp., operator of the Sonic Drive-in chain, said improved same-store sales boosted the company's third-quarter net income to $1.8 million, more than double the period's profit last year, on a 28-percent rise in revenues, to $17.8 million.

Company-owned average store sales increased 8.1 percent for the third quarter and 8.9 percent for the nine months ended May 31.

Systemwide sales were up 16 percent, to $431 million, at the nine-month mark, compared with the like period last year.

Sonic said its net earnings through the first three quarters were $4.5 million, a 167-percent year-to-year increase, on revenues of $46.5 million, a 21-percent gain.

Outback to offer 375,703 shares

TAMPA, Fla. — Outback Steakhouses filed a registration statement listing a public offering of 375,703 shares of common stock currently owned by certain non-management stockholders.

All of the 375,703 shares proposed to be offered are issued as outstanding shares.

In recent trading, Outback's share price closed at $33.75.

Good Times offer garners $5 million

BOULDER, Colo. — Good Times Restaurants, a regional twin-lane drive-thru operator, grossed over $5 million on the sale of 720,000 investment units priced at $7 each.

Each unit comprised two common shares and one warrant. The warrants are exercisable at $3.50 a share through June 15, 1995.

Good Times said it will use the net proceeds for restaurant development, debt repayment, working capital and burger-unit remodeling.